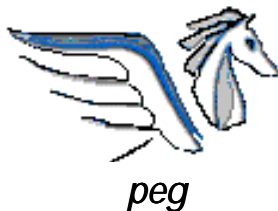


*Annual Report 2000*

# Partnership for Economic Growth (PEG) Project



**Prepared for:**

Government of Indonesia

**Submitted to:**

USAID/ECG, Jakarta, Indonesia

**Submitted by:**

Nathan/Checchi Joint Venture

Partnership for Economic Growth (PEG)

Project<sup>1</sup>

Under USAID Contract #497-C-00-98-00045-00

(Project #497-0357)

**March 2001**

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**PEG – TA TEAM**

**ANNUAL RESULTS MATRIX**

**PEG Project Annual Results Matrix**

Progress & Achievements Against Workplan during Reporting Period

<b>Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001</b>				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Magiera	MOIT	Tariff Reform	Updated trade policy database Policy memorandum on sectoral trade policy issues as requested.	Completed regular updates of the database. Several policy memoranda were completed, as requested.
		WTO Built-in Agenda	Training course on upcoming round of agricultural negotiations <b>and</b> Course on next round of services negotiations.	Completed papers reviewing the status of the negotiations. Some training was provided, but main training courses are still under preparation.
		APEC Action Plan	Review of trade policy reforms undertaken in past and planned for future.	Completed a trade policy review, but there were no requests for input on Indonesia's APEC action Plan.
		Anti-Dumping and Safeguards	Draft administrative procedures that ensure that the national interest is taken into account.	Completed recommendations for revising Indonesia's anti-Dumping procedures and the establishment of an independent Trade Injury and Remedy Commission.
		Economic Law and Institutions	Policy memorandum on economic legal issues that impact real economic activity.	Completed a variety of policy memorandum covering economic and legal reforms, including anti-dumping (see above), telecommunications (see below), various aspects of trade policy (e.g. tariffs, secured transaction law, ag policy, etc), decentralization, and policies to promote exports.
		Telecommunications Policy Environment	Assist on implementation of new telecom law and establishment of independent regulatory authority.	Completed variety of policy recommendations and seminars on key aspects of Indonesia's Telecommunications Law, including interconnection, modern and transparent licensing procedures, spectrum allocation, universal service obligations, broadcasting, and the establishment of an independent regulatory body.
		Export Performance and Related Policies	Update on Indonesia's trade performance, including an update on export prices.	Completed two semi-annual updates and several briefing memos for the Minister.
		Enhancing Industrial Competitiveness	Support to the Indonesian component of USAID Asian competitiveness study, if USAID approves.	Coordinated meetings between USAID competitiveness team and ministry officials.
		Enhancing Service Industry Competitiveness	Two sectoral studies on regulatory reforms and competitiveness issues in the services sector.	One sectoral study on internet service providers was initiated and is still underway. Although a study on restructuring the telecommunications industry was organized and proposed to Government, it was declined and replaced with a review/ and recommendations on a broadcasting bill.

**PEG Project Annual Results Matrix**

Progress & Achievements Against Workplan during Reporting Period

<b>Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001</b>				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Mudge	MOIT	International Economic Integration and International Trade Negotiations	Deliver technical assistance for MoIT Trade Policy Paper Deliver technical assistance for improving trade services data	Completed  On track, this is a long-term activity
		Foundations for Competitive Markets and Competitive Industries	Technical inputs and workshop on information communications technology and policy  Design and conduct a survey of extent of internet use by exporters.	Workshop completed, policy advice on track, this is an on-going activity On going, survey to be completed in April 2001
		Trade and Industrial Development	Analyze policy issues affecting manufactured wood exports Present workshop on total employment effects of exports Prepare paper on preparing for the impact of the end of the Multifiber Agreement	Partially completed, balance of work superceded by work on ICT  Completed Completed
		Provide assistance to MoIT officials and provide brief comments on selected policy issues that may occur.	Deliver 8 hours of lectures to PUSDIKLAT commercial attaché candidates Deliver advice on improving bilateral trade with Pakistan	Completed  Completed

## PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001				
ADVISOR	COUNTER-PART	ACTIVITY	DELIVERABLE	STATUS
Ray	MOIT	Domestic Economic Integration and Competition	Policy memos and papers in support of legislation and institutions to ensure fair trade & competition. Monthly training seminar on competition & trade.	Complete: Numerous memos and papers drafted and distributed throughout MoIT Training workshops evolved into policy forums/ seminars to improve advocacy effort. Incomplete: Carried out every 2-3 months, monthly considered too frequent
		Distribution Systems	One policy study (or equivalent) plus short memos on issues and problems in distribution systems	Complete: Fieldwork study on red onions carried out in Brebes and Kramatjati wholesale market, Jakarta. Other fieldwork carried out in Yogyakarta (plus field report). Using material supplied by CESS produced various memos on distribution systems for SMEs
		Integrated Domestic Market	One or more regional studies / policy memos on trade barriers at the regional level	Fieldwork and reports completed for the following provinces: South Sulawesi, Nusa Tenggara Barat, Lampung and Aceh. Numerous memos drafted and distributed
		Domestic Markets and Decentralization	One or more regional studies on the impact of decentralization measures on efforts to develop a open, competitive, and integrated domestic market	Complete: Using the primary research from above (workplan activity 4) produced 2 major papers (one jointly with Gary Goodpaster) and numerous memos.
		Industry Policy	Papers and memos as input to the development of a new industry policy vision at MOIT. Support to the Indonesian component of USAID Asian competitiveness study, if USAID approves.	Completed numerous papers and memos for the Minister and Head of the R&D Agency. Assistance provided to coordinator of Asian Competitiveness study

**PEG Project Annual Results Matrix: Reporting Period January 1 to December 31, 2000**

Progress & Achievements Against Workplan during Reporting Period

<b>Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001</b>				
<b>Advisor</b>	<b>Counterpart</b>	<b>Workplan Activity</b>	<b>Related Deliverable(s)</b>	<b>Status and Comments</b>
T. Timberg	Bank of Indonesia	Response to crisis related requests for policy analysis on SMEs and alternative financial institutions, including review of credit policies towards SMEs and recommended changes.	Policy Memos.	Completed.
		Surveys of financial institutions and SMEs to verify and correct available data, and subsequent analysis of survey findings vis-à-vis other donors and agencies.	Surveys and accompanying reports and memos.	Completed
		Analysis of issues surrounding resumption of small scale lending in the absence of regulatory requirements from BI.	Seminar for decision-making bankers on SME lending. Survey of commercial banks on their SME lending.	Completed Completed
		Improvement of data collection and analysis from Rural Banks (BPR).	Survey of 49 BPR.	Completed
		Assessment of problems with BPR data practices, including hardware of software.	Database needs assessment for BPRs.	Incomplete Change in Policy.
		Assessment of human resource issues including training and experience.	Limited training needs assessment for DBPR and related personnel within BI.	Completed
		National dialogue on approach to SME development and finance, including guarantees.	Workshops and research studies to assess potential for guarantee and linked deposit schemes.	Completed
		Analysis of current condition of AFI and SME in Indonesia.	Memos of review of networking between commercial banks and AFIs, proposed SME initiatives including Islamic Banking etc.	On target
		Design of Lembaga Keuangan Perbankan as part of revised BPR supervision structure.	Support and training in the design of this structure.	On target
T. Timberg	Bank of Indonesia	Support for technical capacity of staff of the DKr credit bureau of BI.	Training for senior employees plus regional study tour.	Completed
		Support for technical capacity of BI staff involved in rural banking (BPR).	Training for DBPR staff, through CGAP and Economics Institute.	Completed

The Matrix of 2000 results of Robert Rice.

Analysis of contribution ....	completed
Contribute to intellectual ....	incomplete in that only one seminar was completed in 2000 because of my unanticipated long leave and other types of seminars being given
Analysis of factors .....	incomplete although a rough draft of this report has been completed
Analysis of factors ....	incomplete because of long leave and unexpectedly large amounts of time spent on other activities
Support to DepKop .....	completed
Design, development .....	incomplete because of long leave and unexpectedly large amounts of time spent on other activities.
General policy analysis ....	completed
Regional workshops ....	completed
Analysis of types ....	incomplete because of an apparent greater interest by Mennegkop in the regional workshops activity
Study capacities .....	incomplete because of long leave and unexpectedly large amounts of time spent on other activities
Workplan Activity 11	incomplete. Discarded because of other activities and inadequate Government support
Other Work Activities	completed

# PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Buehrer	Bappenas/ EKUIN	Identify and analyze key macroeconomic policies affecting the recovery of the Indonesian economy and the impact of the recovery on the poor.	Report on the impact of rice prices on poverty  Poverty reduction strategy  Analysis of tax policies (with Bill Wallace, Douglas Todd)	<b>On target</b> , initial materials prepared and presented, final report expected in Q2 2001  <b>On target</b> , strategy prepared by consultant and implementing strategy finalized Q1 2001. Implementation by others.  <b>On target</b> , awaiting receipt of data from BPS. Should be finished in Q2 20001
		Improve the capability of Bappenas and the Office of the Coordinating Minister to track the performance of the Indonesian economy and anticipate policy issues.	Monthly report on the macroeconomy to be prepared by Bappenas staff.  Flash report on the macroeconomy for Perekonomian  Assistance to Sekretariat Negara in reorganizing its operations along the lines of the organization of the US Executive Office of the President.  Maintain databases on trade, inflation, monetary issues, exchange rate	<b>Completed</b>  <b>On target</b> , continuing activity  <b>Completed</b> . Expected ongoing requests.  <b>On target</b> , continuing activity
		Respond to requests from Bappenas and the Office of the Coordinating Minister for Economic Affairs, as required.	Various memoranda in support of Bappenas and the Office of the Coordinating Minister for Economic Affairs	<b>On target</b> , this is an ongoing activity. In the past six months have prepared memoranda on a wide range of subjects. Have also assisted in the preparation of materials for presentation to foreign audiences regarding government policies.



# **PEG Project Annual Results Matrix**

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Bird	Bappenas	Development of modules on INDRA and corporate debt for macroeconomic model	Modification of model to accommodate new multi-year planning and budgeting format ( <i>Repeta</i> ) Modification of model to explicitly include module on corporate sector and sources of investment	
		Transfer of macro model and capacity building	Assistance and support to publishing quarterly and annual forecasts beginning in Q-2 2000.	
		Policy Analysis for Crisis Support	Flexible in response to requests, but possibly including corporate debt, consumer protection, domestic and foreign investment in the real sector, effectiveness of tax holidays, real wages & poverty	
Wallace	Bappenas	Development of macroeconomic model, with mid-term macro analysis & projections	Modification of model to accommodate new multi-year planning and budgeting format ( <i>Repeta</i> ) Modification of model to explicitly include consequences of fiscal decentralization	Completed: Multi-year format. Incomplete: Consolidated regional budget, due to time, concept and data constraints. Consolidated budget now proposed for next year.
		Transfer of macro model and capacity building	Training and support for quarterly publishing of model and annual macroeconomic forecasts	Complete: Annual Incomplete: Quarterly replace by Monthly Indicators published and presented to the Cabinet. Quarterly moved to next year.
		Policy Analysis for Crisis Support	Policy memos and presentations on specific crisis topics as requested.	Complete: Numerous memos, presentations, inputs to Bappenas and GOI policy stance.
Buehrer	Bappenas/ EKUIN	Identify and analyze key macroeconomic policies affecting the recovery of the Indonesian economy and the impact of the recovery on the poor.		
		Improve the capability of Bappenas and the Office of the Coordinating Minister to track the performance of the Indonesian economy and anticipate policy issues.		

Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated March 1, 2000 – January 1, 2001				
		Respond to requests from Bappenas and the Office of the Coordinating Minister for Economic Affairs, as required.		
Rosner	BI	Development of Short-Term Forecasting Models for Quarterly GDP	Development of several models in collaboration with staff from BI research department	
		Exchange Rates and Inflation	Review of existing research on pass-thru effect of currency depreciation to inflation Modeling and empirical measurement of relationship between XR and inflation	
		Research on Equilibrium Exchange Rate	Review of existing research on equilibrium real exchange rate (RXR) Support to staff in improved measurement of RXR Development of refined measure of real exchange rate and equilibrium RXR model	
		Crisis Support	Policy memos on topics as requested.	

**PEG – TA TEAM**

**INDIVIDUAL ANNUAL PROGRESS REPORTS**

# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report

**Stephen L. Magiera: International Trade Specialist**

**Reporting Period: 2000**

***Summary:** Major activities concerned the establishment of independent regulatory bodies in Indonesia. Drafted detailed recommendations and the legal changes needed to establish an independent Trade and Injury Commission. Similar recommendations were done for telecommunications.*

*Organized extensive training and policy assistance on the implementation of Indonesia's Telecommunications Law. The purpose of this Law is to establish a modern regulatory framework for the sector and to bring about a competitive market in telecommunications services with increased investment. Helped Ministry staff develop a plan of action for implementation of the Law. Many, if not most, of the Project's recommendations were accepted by the Government, including for example the need for greater transparency and public hearings.*

*Completed a comprehensive review of Indonesia's export performance and trade policy changes during the past decade. Provided a variety of recommendations on overall tariff policy and on specific trade policy issues.*

### ***International Economic Integration and International Trade Negotiations***

**Workplan Activity – Tariff Reform:** *Update the project's trade policy database and provide policy memorandum on sectoral trade policy issues as requested*

### **Accomplishments:**

The project's trade and trade policy databases were regularly updated and used to analyze Indonesia's trade performance and a variety of policy issues, including a Ministerial request to develop a new trade policy agenda for Indonesia.

Accomplishments included a variety of policy briefs on selected issues under consideration by the Minister and other senior officials in the Government, including:

- 1) Policy briefs for the Minister of Industry and Trade on establishing an enabling environment (secured transactions law) for trade financing and on the complaints of exporters concerning VAT rebates.
- 2) Ministerial briefing papers covering Indonesia's export performance, trade finance, anti-dumping, telecommunications policy, tariff policy and rice policy. Each briefing paper contains a statement of the problem, reasons for the problem, and recommendations.
- 3) A policy memo for the Minister on options to expand Indonesian exports. The memo ranks options by the degree of Government involvement and whether the options are likely to impact exports in the short or long run.
- 4) An analysis of rice policy options.

## Partnership for Economic Growth (PEG)

- 5) A review of Indonesia's tariff reductions since 1995 for Indonesia's negotiation with the IMF. The review shows that Indonesia is more on target with those reductions than had been indicated by the IMF and was used to help design Indonesia's next trade deregulation package.

### **The Year Ahead.**

The Minister has asked that the Ministry, with PEG support, develop a new trade policy strategy for Indonesia. Trade is likely to be a major policy issue during the coming year.

### **Workplan Activity – WTO Built-In Agenda: *Conduct Training Courses on the next round of agricultural and services negotiations.***

#### **Accomplishments:**

Coordinated reports on the current status of WTO negotiations on agriculture and services, and prepared reports on Indonesia's international trade commitments in the WTO, APEC, and IMF. The reports are part of the background information prepared for the Ministry's trade strategy report. Organized training for government officials on intellectual property rights at the U.S. Patent and Trademark Office in Arlington, Virginia.

### **The Year Ahead:**

Negotiations on agriculture and services are on-going and will receive priority during the coming year. The Indonesian embassy in Geneva, through the Office of the US Trade Representative and US Embassy in Jakarta, has specifically asked for technical assistance on the services negotiations.

### **Workplan Activity -- Anti-Dumping and Safeguards: *Develop administrative procedures, which ensure that the national interest is fully taken into account during antidumping and safeguard investigations.***

#### **Accomplishments:**

Developed detailed recommendations on revisions to Indonesia's anti-dumping procedures for the Secretary General of the Ministry of Industry and Trade, and the Assistant to the Minister of Finance. The recommendations address several complaints of the private sector, and aim at increasing transparency in Indonesia's anti-dumping procedures through the establishment of an independent **Trade Injury and Remedy Commission**, and ensuring that anti-dumping are taken only when they are in Indonesia's national interest. Recommendations also include tightened rules on injury tests in order to bring Indonesia's regulations into conformance with WTO rules; and new rules of disclosure and public hearings in order to improve transparency in the policy process.

## Partnership for Economic Growth (PEG)

### ***Foundations for Competitive Markets and Competitive Industries***

**Workplan Activity – Economic Laws and Institutions:** *Policy memorandum on economic legal issues that impact real economic activity.*

#### **Accomplishments:**

Completed a variety of policy memorandum covering economic and legal reforms, including anti-dumping (see above), telecommunications (see below), various aspects of trade policy (e.g. tariffs, secured transaction law, agricultural policy, etc), decentralization, and policies to promote exports.

#### **The Year Ahead:**

Although economic law is not a major activity of the project, economics staff expect to work closely with other USAID projects in this area as Indonesia develops modern regulatory systems and the legal foundations for a market economy.

**Workplan Activity – Telecommunications:** *Provide assistance on the implementation of Indonesia's new Telecommunications Law.*

#### **Accomplishments:**

Organized a major program of work on the implementation of Indonesia's Telecommunications Law. The work program included technical assistance on policy issues related to implementation of the Law, and round table discussions and training seminars for the Ministry of Communications, the Indonesian Telecommunication Society, and the private sector. The project was developed in close collaboration with the U.S. private sector and staff from the U.S. Embassy. The Ministry of Communications had adopted many of the project's recommendations. The most important of these is the establishment of an independent regulatory body, which is now under planning.

The project resulted in the following outputs and recommendations:

- 1) Recommendations on the establishment of an independent regulatory body for telecommunications in Indonesia, based on reviews of some 10 regulatory bodies in other countries.
- 2) Recommendations on market oriented cost-based interconnection rates for Indonesia and on setting up a process to develop a long-run incremental cost model for setting rates in the future.
- 3) Preliminary recommendations on best practices for universal service obligations.
- 4) The development of a modern and transparent licensing system, which may include the auctioning of spectrum.
- 5) A review and recommendations on Indonesia's draft Broadcasting Law, as prepared for Commission I of Parliament. The review covers issues of content, spectrum management, and an independent broadcasting commission.

## Partnership for Economic Growth (PEG)

- 6) A summary memo on competition issues in the Indonesian telecommunications market.
- 7) A policy brief for the Ministry of Telecommunications on public hearings. As a result, the Ministry posted its draft regulatory decrees on implementation of the Telecommunications Law on its WEB site, and held a public hearing on the decrees.
- 8) Two briefing memo on telecommunications development in Indonesia.
- 9) A review of World Bank recommendations on Indonesia's telecommunications reform and briefing of the Coordinating Ministry on the status of reform for the CGI meeting.

### **The Year Ahead:**

The Ministry of Telecommunications has requested continued assistance on restructuring the telecommunications industry in Indonesia, the development of a modern regulatory system, and the establishment of an independent regulatory body.

### ***Trade and Industrial Development***

**Workplan Activity -- Export Performance and Related Policies:** *Provide an update on Indonesia's trade performance, including an update on export prices.*

### **Accomplishments:**

Completed a major review of Indonesia's export performance during the economic crisis, including an assessment of the factors influencing exports. The report argues that Indonesia's export performance has been rather poor given the magnitude of the rupiah depreciation because of declining international prices and because of the shortage of working capital needed to finance exports. In real terms, however, the export sector has continued to generate real gains for the economy. Other conclusions are that bilateral and Indonesian trade finance programs are unlikely to have much impact on exports until international banks resume lending in Indonesia and until capital adequacy ratios improve so that domestic banks can also lend. Export sectors with many smaller exporters appear to be doing better than those dominated by a few firms because small companies have traditionally relied less on outside financing and are unlikely to have accumulated foreign currency debt before the crisis. Finalized a report on the problem of trade finance in Indonesia. The report contains policy recommendations for long-term improvements in the market structure for trade finance.

### **The Year Ahead.**

As indicated above in the section on tariff reform, the Minister has asked that a new trade policy strategy be developed for Indonesia.

**Workplan Activity -- Enhancing Service Industry Competitiveness:** *Conduct sector studies on regulatory reforms and competitiveness issues in the services sector.*

## Partnership for Economic Growth (PEG)

### **Accomplishments:**

Undertook preliminary work for a study of telecommunications, which provides a review of Indonesia's international commitments on telecommunications. Helped coordinate a study under the PEG CSIS-Columbia grant on Internet Service Providers, which is still underway.

### **The Year Ahead:**

Work on ISPs is still underway. The Ministry of Communications has requested that additional studies be undertaken, specifically as they relate to small-scale industries and information technology.

### **Work Plan Activity – Respond to short-run staff requests and prepare speech materials as requested:**

#### **Accomplishments:**

Drafted and reviewed a variety of speeches for the Minister and Secretary General. Topics included: implementation of Indonesia's intellectual property laws, deregulation and competition policy, anti-dumping and Indonesia's WTO commitments, and domestic and international trade policy issues facing the Ministry of Industry and Trade.

Provided a briefing paper to the Secretary General of the Ministry of Industry Trade outlining the functions of U.S. Government Departments with similarities to the Ministry, and the extent to which these departments maintain regional offices in the United States. The paper was used by the Secretary General to help formulate the Ministry's reorganization plans under decentralization.

### **Workplan Activity -- Ad Hoc Requests/Meetings:**

#### **Accomplishments:**

Responded to a variety of ad hoc requests from the Government, USAID, and international institutions: 1) provided lectures on trade policy for the Ministry's commercial attaché training course (30 students); 2) organized the panel session at the USAID retreat on independent regulatory bodies and made a presentation on major trade policy issues facing Indonesia; 3) coordinated meetings to discuss the USAID competitiveness initiative; 4) provided a status report on Indonesia's implementation of the Information Technology Agreement; 5) reviewed Indonesian training needs with a senior USAID official responsible for organizing training by international organizations; 6) organized meetings with OECD concerning Indonesia's attendance at OECD forums for emerging market economies.



# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report

**James Mudge: International Trade Economist, MoIT**

**Reporting Period: 2000**

The in-house work with Depperindag on e-Commerce has helped inform their thinking on the subject and effectively supported a set of key officials who see the potential for e-commerce to increase the competitiveness of Indonesian exporters. The Depperindag/USAID-PEG e-Commerce Workshop in May was a first, with more than 100 persons attending. The workshop helped to direct the attention of Depperindag officials to policy issues and the potential of e-Commerce and gave private industry a forum to interact with Depperindag. When a decree prohibiting foreign direct investment in the Indonesian ICT sector was issued in August, a 12 point paper to the Minister of Industry & Trade equipped him with discrete, substantive reasons to reject the decree which he did 21 days after it was issued.

Arrangement for the presentation of a workshop on using I-O analysis techniques to measure the total employment generation effects of exports gave MoIT technical staff the means to quantify the contribution of exports to growth and employment. The participants were the same people who routinely provide analysis to the Cabinet.

In a series of discussions with Depperindag officials on how to approach a proposed trade strategy paper, I contributed to helping them redirect their attention to a more forward looking approach and to include some key issues that will influence Indonesian trade prospects in the future (China and India and the implications of the end of the textile quota system for Indonesia).

### **Workplan Activity 1: *International Economic Integration and International Trade Negotiations***

#### **Accomplishments:**

*Trade paper:* In response to a request from the Director of the MoIT's Industry and Trade Research Group (BPPIP) for support to produce a white paper on MoIT trade strategy (Strategi Perdagangan Nasional) participated in a series of planning meetings with BPPIP office directors and suggested a set of special studies of issues that will influence Indonesia's international trade over the next several years.

*Trade services data:* Prepared a brief paper on improving the availability and quality of trade services data at the request of the Secretary to the KLIPI DirJen. Also discussed issue with Director PUSDATA. As a result of the discussion PUSDATA Director assigned staff specifically to look into ways to improve services trade data. KLIPI requested the assistance to increase their ability to participate more actively in international negotiations on reducing barriers to services trade.

#### **The Year Ahead**

The discussion of how to go about writing a Depperindag paper on trade policy brought to the surface Depperindag's need to critically examine the implications of foreseeable events. An example is the trade challenges and opportunities for Indonesia of China's rapid expansion into the world trading system. Because Depperindag officials are

## Partnership for Economic Growth (PEG)

extremely busy dealing with current issues, it would be useful to have an effort over the next year to assist Depperindag to think critically now about developments in the future that will have an impact on Indonesian trade.

World trade in services is experiencing extremely rapid growth as part of the global information revolution. Trade in services is also on the WTO negotiation agenda. However, collection of data on trade services is much more complicated and difficult to obtain than trade data for commodities. The rudimentary service trade data available to Depperindag is not adequate to support their participation in trade services negotiations and there is a need for better data because of its growing importance in international trade. An effort should be made to initiate a services trade improvement program.

### **Workplan Activity 2:   *Foundations for Competitive Markets and Competitive Industries***

#### **Accomplishments**

*Information communications technology:* In close collaboration with MoIT officials, supervised PEG support for an MoIT workshop on e-Commerce. Arranged venue, located and arranged for an expert from the U.S. Department of Commerce to speak at the workshop and provided materials as potential model regulatory approaches to e-commerce. The two-day e-Commerce Workshop was held in Jakarta on May 3 and 4, 2000. Approximately 100 persons attended from several GOI agencies, academia, business and interested groups. The U.S expert spoke at the workshop and delivered a seminar the day after the workshop to some 40 staff from the MoIT, and the Post and Telecommunications Ministry. I gave the keynote speech for the workshop and provided extensive materials on U.S. e-commerce policy to Depperindag DG for Domestic Trade, Director for Trade and Business Development and staff, Directorate for Industrial Cooperation and International Trade. Prepared briefing memorandum on the WB Global Development Gateway for distribution to Depperindag officials.

*ICT policy:* Wrote and delivered various briefing and policy papers to the MoIT and to USAID including one policy paper to the Minister opposing a decree that prohibited foreign direct investment in the Indonesian information communications technology (ICT) industry. The decree was rescinded. In collaboration with USAID/ANE ICT expert, finalized scope and timing of USIAD ICT survey. Arranged contacts and facilitated meetings for one visiting ICT expert and one ICT survey team.

*E-Xport survey:* Originated and designed a survey of the extent of internet use by Indonesian SME exporters. Depperindag endorsed the E-Xport survey which will start in February 2001.

#### **The Year Ahead**

The E-Xport survey will be conducted in 8 locations around Indonesia over a 10-week period. The Survey results will be presented to Depperindag in a seminar. This survey will be one of a small handful of empirical studies on the extent of internet use and the only one on the use of the internet by one of the most dynamic sectors in the Indonesian economy. The survey results should be examined for possible follow up analysis.

## Partnership for Economic Growth (PEG)

Discussions with officials responsible for shaping Depperindag ICT policy suggest there is a potential to use some e-Government techniques to Depperindag operations that could achieve major increases in transparency and significantly reduce opportunities for rent seeking. The objective over the next year would be to produce one or two relatively modest feasibility studies that would form the basis for technical proposals to attract World Bank/UNDP Digital Divide funding.

### **Workplan Activity 3:     *Trade and Industrial Development***

#### **Accomplishments:**

*Analysis of policy influences on furniture and woodworking exports:* Organized analysis into 10 sections, four of which were completed in the form of highly condensed reports designed to be read by senior MoIT officials.

The paper titles are:

- (1) “Why Times Have Changed and it is Time for the Wood Manufacturing Industry to Change;”
- (2) “Integration of Policy for the Wood Manufacturing and Forestry Industries;” and
- (3) “Who Benefits and
- (4) Who Loses in the Current Forestry-Industrial System;” and "A Critique of the Industrial Wood Market: A Closed Administrative System for Wood-Intensive Exporters and a Gray Market for High Value-Added Wood Exporters,"

The papers were delivered to 13 senior MoIT officials including the Minister and the Secretary General.

*Examine the linkages between exports of non-oil manufactures and the amount of domestic content in exports:* Arranged for and managed a three-day workshop/seminar on input-output analysis techniques and use of the Indonesian I-O table for policy analysis to 27 participants from the MoIT. Senior MoIT officials proposed that a similar workshop be held in 2001.

*Impact of and adjustment to the end of the Multifiber Agreement:* Based on discussions with board members of the Indonesian Textile Association (ITA) and firm owners, drafted and delivered a paper, “The Future of Indonesian Textile and Apparel Exports in a Global Economy.” The discussions and the paper, helped the ITA frame the policy issues and organize their approach to formulating a survival strategy.

#### **The Year Ahead**

As noted, there is a request from Depperindag to present a seminar similar to the one given in November 2000. A seminar in late 2001 would have the advantage of being able to use preliminary data from data collected in 2000.

The work on the woodworking industry strongly suggests the need for an e- industrial market in cut timber and semi processed wood. A feasibility and design study would make a significant contribution to restructuring the industry, improving its efficiency and ending wasteful misallocation of wood resources.

## Partnership for Economic Growth (PEG)

The Indonesian textiles and apparel industries will soon be operating in a completely open international market. The industry is a major exporter, employing almost one million workers that urgently needs a survival and adjustment strategy before the Agreement on Textiles and Apparel ends in 2005.

**Workplan Activity 4:** *Provide assistance to MoIT officials and provide brief comments on selected policy issues that may occur.*

### **Accomplishments:**

*Lectures to Indonesian commercial attaché candidates:* Prepared eight hours of lecture notes, related quizzes and material for two mornings of lectures at Depperindag PUSDIKLAT for a class of 28 Indonesian commercial attaché candidates. The topics were "gains from trade and trade protection," and "globalization and implications for Indonesia."

*Bilateral trade relations:* At request of Chief of International Trade Center (in BPPIP) advised on approaches to increasing bilateral trade between Indonesia and Pakistan. Explained that Indonesia must explore potential for Pakistani exports to Indonesia as part of the program; in addition to typical trade shows, that MoIT should place at least one and preferably two commercial attachés in the Indonesian Embassy in Pakistan with instructions to actively work with the local business community in a search for both export and import possibilities.

# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report

**Dr. David Ray: Domestic Trade Adviser, MoIT**

**Reporting Period: 2000**

### Introduction

An important focus of the PEG Domestic Trade Advisor in 2000 was the impact of local government imposed tax and non-tax type barriers on the internal flows of goods and services. Various fieldtrips to 'problem areas' such as South Sulawesi, West Nusa Tenggara and Lampung were undertaken with MoIT counterpart researchers. The problems were clearly identified and reported to MoIT in a series of memos, papers and regional reports. Also presented to the MoIT, were prescriptions for appropriate policy measures. As a result of this advocacy efforts, the MoIT is now considering, with PEG assistance, new policy measures to ensure free movement of goods and services in the domestic economy

*Workplan Activity 1: Assist with the development of legislation and supporting institutions at the national level that will help ensure fair trade and competition for all parties in an increasingly deregulated economic environment.*

### Accomplishments:

Within MoIT organized and/or ran a series of workshops covering a range of topics including SME development, SME distribution issues, consumer protection, trading houses, market analysis and export facilitation. Also presented at a number of public forums, seminars and training workshops in Jakarta, Yogyakarta, Banjarmasin, Surabaya and other cities. Many of these presentations were delivered in Bahasa Indonesia to ensure better comprehension among participants.

An important theme in these presentations was the importance of free, open and competitive markets for Indonesia's long run economic development. A similar message was also delivered via frequent meetings with, and through various speeches for the Minister for Industry and Trade, and to a lesser extent the Minister for Investment and State Owned Enterprises (ministerial position since abolished)

Organized and hosted a number of cross-donor meetings to coordinate assistance for the Consumer Protection Directorate at the MoIT

### The Year Ahead

In this decentralizing era it is important to continue to emphasize the value of free, open and competitive markets, particularly within local governments in the regions. PEG will continue to play a coordination role in developing and implementing the consumer protection law. Planned activities by PEG consultants include assistance with strategic planning and interpretation of the law.

*Workplan Activity 2: Identification and analysis of issues and problems affecting the distribution sector in general, and/or the distribution system for specific commodities*

## Partnership for Economic Growth (PEG)

### Accomplishments

Various fieldwork studies and reports were completed focussing on regional distribution systems as well as distribution for particular commodities. An important study on competition problems in the final distribution sector for key commodities is on-going and will be completed in March 2001.

With the assistance of CESS (Centre for Economic and Social Studies – of the TAF partners), lobbied the MoIT through a series of workshops, seminars and papers on the importance of open and competitive markets in the distribution system for SME products. This advocacy exercise focussed on recent moves to convert certain SOEs into trading houses, and provided important input for subsequent MoIT recommendations to the Minister on this matter. Other policy advocacy work carried out with a TAF partner (HUKEL) focussed on business licensing reform.

Other important work carried out this under this workplan heading include  
Accompanying the Minister on trips to the regions to investigate distribution issues for SMEs  
Accompanying a USAID team on a fieldtrip to Aceh to assess the state of the local economy  
Assessing the data collection and processing capabilities of the price monitoring unit within Market Development section (Bina Pasar) of the Directorate General of Domestic Trade

### The Year Ahead

In cooperation with Rod Brazier of TAF, we hope to be able to run a number of socialization and policy workshops within MoIT this year using TAF partners and researchers as presenters. This joint advocacy effort will target domestic trade, competition and SME distribution issues, amongst others.

Further studies on distribution problems are planned for this year. The study by Achmad Shauki and his research assistants, described above, will be completed in March 2001. This paper is designed to provide the competition commission and the MoIT with important research input as well as the research methodology for further sectoral studies.

Important follow up work needs to be done to improve the commodity price monitoring capabilities at the Market Development section of the Domestic Trade Directorate General within MoIT. This will include upgrading capabilities in data storage, collection and processing.

*Workplan Activity 3: Identify and analyze trade barriers at the regional level, with particular attention to progress in adherence to Law no. 18 1997 on domestic trade deregulation.*

### Accomplishments:

Various fieldtrips and studies were undertaken to research both tax and non-tax type barriers in inter-regional trade. An important focus of these studies was compliance with Law 18/1997. Many cases of infringement were reported to the DG Domestic Trade. These

## Partnership for Economic Growth (PEG)

examples were used in letters from the DG Domestic Trade to the heads of regional offices of MoIT (Kanwil) appealing for better attention to the problems associated with local government imposed distortions on inter-regional trade.

As it became apparent that Law 18/1997 was to be changed, the focus moved from monitoring local government compliance with the law to assessing the impact of the proposed amendments upon internal flows of goods and services. Various memos and reports were drafted on the issue and distributed with MoIT. In response, a series of meetings were held to discuss MoIT's response to these proposed amendments. A letter to the Ministry of Finance was subsequently drafted expressing MoIT's concerns regarding the proposed changes.

An important theme in these discussions and meetings initiated by PEG was the need for new legal instruments to protect domestic trade from decentralisation pressures. Based on PEG's research and advocacy work on the issue, the MoIT is now developing a new domestic trade law.

### The Year Ahead

The MoIT has requested PEG assistance in researching and drafting the new law described above. This will be in the form of providing inputs to the 'naskah akademis' (academic supporting paper) and also assistance with the drafting the law in the second half of the year. The USAID seminar planned for March (Globalization, Decentralization and Domestic Trade) will provide important input to this process

*Workplan Activity 4: Analysis of the impact of decentralisation measures upon efforts to develop an open, competitive and integrated domestic market*

### Accomplishments:

An important output from the work associated with workplan 4 and other research and policy work on inter-regional trade barriers was the need for new policies and institutions to ensure continued integrity of the national market. A joint paper by Gary Goodpaster and myself titled 'Decentralization and Domestic Trade' explored the many dangers of decentralization and provided key suggestions for policy. The paper was translated into Indonesian and distributed throughout the MoIT where it had a strong impact. This and other papers, spurred a number of meetings and inter-departmental memos on the many potential threats to domestic trade arising from greater regional autonomy.

### The Year Ahead

Planned activities for this workplan correspond with that of workplan 4. Further regional studies are planned, hopefully in cooperation with SMERU.

*Workplan Activity 5: Research and analysis of key issues affecting Indonesia's industrial competitiveness.*

## Partnership for Economic Growth (PEG)

### Accomplishments

Through a series of memos to, and meetings with the Minister and the Head of the R&D Agency (and staff) regarding the clusters based industry policy concept PEG-MoIT emphasized the following:

The importance of a policy neutral approach to industry policy - as opposed to selectively targeting 'priority' sectors, industries or firms for cluster development.

Industry policy should focus on a broad policy agenda covering trade, education, competition and technology.

The importance of free, open and competitive markets to promote innovative and entrepreneurial behaviour within Indonesian industry.

### The Year Ahead

Much remains to be done in assisting the MoIT develop a new integrated trade and industry policy strategy. An important contribution could be in the form of sectoral studies which outline the various problems inhibiting international competitiveness in a particular sector (such as electronics) and what reform measures can be undertaken to overcome these problems. Another important contribution by PEG to this policy development process is to help facilitate the interface between trade and sea communications reforms.



# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report

**Small Scale Credit Adviser,  
Bank of Indonesia.  
Dr. Thomas A. Timberg**

**Reporting Period: 2000**

There are five clients with which I am involved for each of which there are different Goals and Joint Activities. This is logical both because of the decentralized nature of policy making about Small and Medium Enterprise (SME) and Microfinance and the actual pattern of demand for my services. Specific responses have been provided in each case to specific questions raised by clients -- but the focus of activities as indicated, has been on institutional strengthening and re-engineering government agencies for their new roles as part of a pro-market paradigm for SME promotion. The material below is represented in graphic form in an attached matrix," Clients, Goals, Activities, Achievements 2000."

The five clients, the goals pursued and the major means for pursuing them are as follows:

Client 1: The Credit Bureau of Bank Indonesia, is a staff unit to Bank Deputy Governor Achjar Ilyas, designed to handle the residual direct credit activities of Bank Indonesia (which are being phased out rapidly) and to serve as a small staff unit concerned with policy and research for priority economic sectors such as agricultural, housing, consumer credit, and small enterprise. In this respect, the Credit Bureau's activity parallels similar activities conducted by most central banks and bank regulatory authorities, concerned with (1) the impact of their activity on these sectors (impact on the Real Sector) and (2) handling dialogue on their regulatory role with those concerned with the sectors concerned. There is still some tendency to hold on to the old vanishing direct credit roles, but almost everyone agrees to the refocusing in principle.

Client 2: The Rural Banking Directorate of Bank Indonesia continues to be responsible both for the Bank Perkreditan Rakyat (BPR) which constitute one of the major categories of microcredit institutions in the country, and more generally for banking regulation of all microfinance. What is needed is tighter supervision, which protects the country from prudential liability, at the same time that it is cheap and effective. A program of reform for BPR is already underway, in connection with GTZ projects in the different parts of the country, and a program for more general regulation of microfinance institutions is under discussion.

A change of Directors toward the end of the year and connected discussion led to some slight changes in the direction of work. In particular, proposed involvement in BI's internal handling of BPR data was terminated since it is to be handled entirely in house, and several new initiatives launched.

The goals for the Rural Banking Directorate are to assist in the reforms underway, particularly in areas where GTZ is not active, and orient the Directorate toward international standards for microfinance with which USAID has been identified. This has been done through support to several targeted research projects by The Banking Institute of Indonesia (IBI) on issues that are critical, support for various workshops in the country at which key policy has been developed, and promotion of the Directorate's participation in international activities on

## Partnership for Economic Growth (PEG)

microfinance regulation. Senior staff was also supported to take part (jointly financed by GTZ) in the Economics Institute course in Boulder and in two CGAP courses.

Client 3: The State Ministry for SME and Cooperatives (MennegKop) is the designated center for policy formulation and coordination for SME in the Government. The Small Credit Advisers work with this Ministry complements that of a second PEG adviser in the Ministry. The State Ministry still clings to some of its implementation activities, though these have now mostly been handed over to the new SME and Cooperative Development Agency, an autonomous body connected with the Ministry. The Ministry is challenged, de facto, by the many other Ministries who assert jurisdiction over SME.

The goals for MennegKop are to encourage the State Ministry to focus on its policy formation and dialogue role and to strengthen it so that it can adequately deal with the other Ministries concerned. To secure these goals, two senior officials of the Ministry have been sent to CGAP Training in Manila to study modern approaches to microfinance and workshops have been sponsored with the Ministry dealing with issues like guarantees. A consultant has been provided to review SME Laws. More importantly, the Ministry has been supported in its work as the secretariat of the Task Force on SME designed to coordinate all government SME activities.

As a result, the Ministry has moved in a more market-oriented direction -- and has taken a more active role in coordination of government SME policy. The legal review is still in progress.

Even though the Ministry is imminently expecting a large ADB financed team to assist its Task Force activities, it can be anticipated that requests and needs will continue to come from the Ministry, especially since the PEG Adviser will be leaving the country in early February.

Client 4: The Small and Medium Enterprise and Cooperative Development Agency (SMECDA), a recently founded split off from MennegKop, with which the adviser is still defining his, and their role.

Client 5: The Banking Research and Regulation Directorate of Bank Indonesia, with which some work on Banking Supervision is planned.

**Workplan Activity 1:** *To respond to short-term BI crisis related requests for policy analysis in the areas of small and medium enterprises (SME) and alternative financial institutions (AFI) to include reviewing Indonesia's credit policies toward SMEs and suggesting policy improvements and alternatives that will promote broad-based economic growth in Indonesia.*

### Accomplishments

Assistance to Bank Indonesia with papers for APRACA Conference in Bangkok and conference in Beijing. Quick response on guarantees to several clients and on use of public accountants in MFI audit for the DBPR. Comments on several research projects and participation in policy meetings.

## Partnership for Economic Growth (PEG)

The Jakarta Initiative Task Force (JITF) staff concerned with smaller loans (those under 100 billion rps) have consulted with the Small Credit Adviser on a regular basis. They have moved to transfer this activity to other hands, as a result of a government decision, and the Adviser has been assisting, inter alia by sponsoring a workshop with interested parties, and helping with several other proposed workshops. The JITF activity complements others being undertaken by SIAGA with a PEG grant.

The Office of the Governor, Bank Indonesia has been assisted in (1) addressing governance issues and (2) improving bank supervision. The former activity has been successfully handed over to the Financial Sector Volunteer Corps and is in process of implementation. Terms of reference for an adviser on HRD/Training for bank supervision have been approved and a search is going on for appropriate personnel.

### **The Year Ahead**

Since this is a short response activity it is impossible to predict precisely what sort of item will be involved. At the moment activities include response to questions on banking statistics and the handling of banking information from the Directorate of Licensing and Bank Information of Bank Indonesia. Similarly, ongoing activity focuses on the use of public accountants to audit microfinance institutions for the Directorate of Rural Banking. Their activity concerns assistance to several clients on the proposed credit bureau.

**Workplan Activity 2** *To conduct surveys of financial institutions and SMEs to verify (and correct where necessary), the available data, to include:*

- *Undertake Surveys of financial institutions and small and medium enterprises, including secular and Islamic cooperatives, commercial banks, BPRs, as well as client SME enterprises and other SMEs.*
- *Correlating and integrating survey findings with those of actors, e.g. USAID, other Indonesian government agencies, the ADB, and examine various microfinance plans.*

### **Accomplishments**

Three goals were being pursued with Bureau Credit-- (1) encouraging the focus on research and policy, (2) promoting the involvement with the SME community and the banks, and (3) in specific helping with phasing out the former requirements for SME lending quotas. These goals were pursued through cooperation on a study of SME lending by commercial banks, which concluded that the quotas were not needed and that other factors were the primary constraints to lending. They were also pursued through a continuing series of Socialization Seminars in which the Deputy Governor traveled to the regions to meet bankers, government official, and the private sector to explain Bank Indonesia's new role and support market based SME lending.

## Partnership for Economic Growth (PEG)

The study of SME lending by commercial banks has been completed and disseminated at a Seminar for the Deputy Governor and various departments of Bank Indonesia. The results were also presented at a Seminar with the University of Indonesia's economics faculty and to internal audiences in Bank Indonesia as well as published by Bank Indonesia. Five successful Socialization seminars have been held in Jakarta, Padang, Malang, Makassar, Jakarta and Bandung. The recommendation for the termination of the quota was forwarded to the Board of Governors, passed and has recently been promulgated. This and other Bank Indonesia policy have also been influenced by the experience of Bank Indonesia with the study tours and in particular with a specially designed course at Georgetown University. The socialization seminars have resulted in a considerable enhancement of the dialogue between Bank Indonesia and its clientele among bankers and small businessmen, all of whom have taken active part in the seminars. Bank Indonesia personnel have evaluated the effect of this as very useful both in their own decision making and in increasing the general public's understanding of their role.

The goals for the Rural Banking Directorate are to assist in the reforms underway, particularly in areas where GTZ is not active, and orient the Directorate toward international standards for microfinance with which USAID has been identified. This has been done through support to several targeted research projects by The Banking Institute of Indonesia (IBI) on issues that are critical, support for various workshops in the country at which major policy has been developed, and promotion of the Directorate's participation in international activities on microfinance regulation. Included were studies of rural bank handling and reporting of financial data and the documentation in teaching case studies of successful experience in working out small loans by rural banks.

As a result, the process of reformation of the supervisory system for BPR seems to be proceeding well. Two hundred and sixty weak BPR are being closed, and another 260 are waiting for closure. Applying the new standards to the remaining BPR should be relatively easy. A working group on microfinance is developing a promotional regulatory regime for non-BPR, microfinance institutions.

### **The Year Ahead**

#### **PROPOSED RESEARCH ACTIVITIES WITH CREDIT DIRECTORATE, BI**

A study of the actual procedures and standards used by commercial banks for smaller scale retail lending, including the career incentives and human resources context in which they are built. An initial study might start with eight representative banks, a description of their formal lending structure and procedures and interviews with loan officers.

#### **PROPOSED RESEARCH ACTIVITIES WITH DBPR**

##### **1. Workshop on Information Systems for BPR Management**

## Partnership for Economic Growth (PEG)

This workshop was held on January 23, 2001 and resulted in some policy decisions. There is now an ongoing program to publish the seminars proceedings in which all major categories of software vendors participated, and disseminate the results in summary form to the trade press.

### 2. Workshop on “Workout for Small Loan Portfolios”

This workshop which is scheduled for February 21 will involve showcasing and discussing a considerable amount of material on the above topic -- including several teaching cases which have been developed by the Institut Bankir Indonesia (IBI) based on the successful experience of PT Kusuma in Central Java, a firm that specializes in BPR turnaround. There will also be presentations by PT UKABIMA and others with successful turnaround experience. It is intended that a body of teaching material be developed based on this workshop.

### 3. Best Practice in BPR Systems and Procedures and Its Application in the Developing of Training Materials and Standards for BPR.

This study will identify the systems and procedures of the 15 "best" BPR and use that description to prescribe appropriate minimum system standards.

### 4. Regional Profiles

A lot of recent discussion focuses on regional based approaches to microenterprises and microfinance promotion. This is a natural result of the decentralization reforms in general, as well as the fact that microenterprises are primarily linked to the local economy, in most cases. Bank Indonesia, as you know, sponsored a conference in Bandung on the potentials for microfinance in West Java. USAID intends to focus its efforts on 6 regions --- East and West Java, East Kalimantan, North Sulawesi, Irian Jaya, and Aceh.

On the other hand, there is not an easily available profile of the state of microenterprise and finance in the various regions -- even though the material for such profiles is easily available in secondary sources. These include the statistical output of the Bureau of Statistics and Bank Indonesia -- but in some cases include data available with the Kanwil of MennekKop, the Ministry of Trade and Industry (Depperindag), NGOs and research centers.

It is proposed to assemble such a database over the next two months. As a first step East and West Java, East Kalimantan, and North Sulawesi -- and Jabotabek, Central Java and Jogya, Bali, and NTT will be covered.

## *RESEARCH AND TRAINING ACTIVITIES WITH MENNEGKOP*

### 1. Study and Seminar on Reviewing and Revising Indonesian Laws Affecting Small Business

## Partnership for Economic Growth (PEG)

A vast bulk of law and regulation affects SME, but five laws are of particular concerns as follows:

1. Law No 9/1995 on Small Enterprises
2. Presidential Instruction No 10/1999 on Empowering Medium Enterprises
3. Government Regulation No 44/1997 about Business Partnership
4. Government Regulation No 38/1999 on State Companies for Developing Cooperatives and Small and Medium Enterprises
5. Government Regulation 32/1998 About Developing Small Enterprises

This project includes the following elements:

- 1 A comprehensive review and evaluation of all legislation affecting SME but particularly the five cited items. This is being done by a legal expert retained by the PEG project and would involve a two month level of effort. This review starts with the rules and regulations themselves but would need to consider evidence of the actual impact of the concerned legislation on SME.
- 2 An exploration of alternatives to the present legislation.
- 3 The preparation of a report containing the result of the review, evaluation, and exploration and recommendations for the modification of the legislation concerned.
- 4 The conduct of a series of short 3-hour seminars in successive weeks focussing on the major issues raised in the designated legislation. They will be attended by representatives of the concerned section of government -- the Ministries of Law and Legal Reform, the Ministry of Finance, the Ministry of Interior, the Ministry of Trade and Industry, the Law Reform Commission, BAPPENAS, etc. The legal expert will deliver her findings and they would be reviewed and commented upon by 4-5 others, including concerned government organs, business representatives and academic experts.

### *RESEARCH AND TRAINING ACTIVITIES WITH SMECDA*

1. Consultancy on Business Development Services

A consultant will arrive February 26, 2001 to advise on SMECDA's handling of business development services.

The following three activities are still under development

2. A workshop and follow through on information systems with SMECDA.
3. Various Training Needs Assessment with SMECDA.
4. A study of the impact of decentralization on Savings and Loan Cooperatives and their supervision.

In addition, Professor Robert Rice is developing other scopes of work to be performed for SMECDA.

## Partnership for Economic Growth (PEG)

5. A study for MennegKop on Subcontracting.
6. Technical Assistance to SMECDA on Financial Issues.

**Workplan Activity 3:** *To assist in developing networks between commercial banks and alternative financial institutions by analyzing the current condition of AFI and SME in Indonesia, to include:*

- *examining issues relating to the networking of various financial institutions; special attention must be given to Dabenas and Barperindo, as proposed bases for networking the pooling of funds, and other linkage possibilities between AFI and mainstream financial institutions, such as the USAID proposed Microlinks project.*
- *discussing proposed and potential SME initiatives, with particular attention to Islamic banking institutions and their potential in Indonesia.*
- *Discussing and negotiating results of these analyses with other actors to encourage a consensus on action, with additional follow-through activity as necessary.*

### **Accomplishments**

This activity is intimately connected with the activity in Activity 2. Thus the activities recorded under Activity 2 are also addressed to this Activity. So far, several BPRs have expressed some interest in borrowing from such a network, but commercial banks in particular are still not sure about their lending plans.

### **The Year Ahead**

It is now proposed to found a Lembaga Pinjaman for BPR. A memorandum was sent proposing to address this proposal through surveying BPR on their interest in such a facility under current conditions.

**Workplan Activity 4:** *To provide technical assistance in assessing alternative ways to handle SME functions, given different assumptions about organizational structure to BI.*

### **Accomplishments**

Eight of the twenty research and policy staff of the Credit Bureau have participated in some overseas training. Senior staff of the Rural Banking Directorate were also supported to take part (jointly financed by GTZ) in the Economics Institute course in Boulder and in two CGAP courses. MennegKop and Credit Bureau Staff were also supported to take part in a CGAP Course. A draft Training Needs Assessment for both the Rural Banking Directorate and the Credit Bureau provides for some further training.

## Partnership for Economic Growth (PEG)

### **The Year Ahead**

Matters are already quite advanced for developing courses on the CGAP mould for teaching in Indonesia, and a similar course on external audit for MFI is under consideration. The impacts of the other training are also apparent in various policy initiatives.

It is intended to continue the Socialization Seminars in four other cities. A draft Training Needs Assessment recommends further training activity and is now under discussion, and two other in house courses for the Bank Indonesia staff on research methodology for SME and SME Policy.



# Partnership for Economic Growth (PEG)

## **Bibliography**

"The Political Economy of SME Development Policy in Indonesia -- the Policy Process, the Facts, and Future Possibilities," paper distributed at USAID Retreat Nov. 2000.

"Lending Models -- How to Determine Why SME Loans are Made in Indonesia -- Moving Forward to a Research Agenda," paper distributed at USAID Retreat Nov. 2000.

"Why Isn't There More Small and Medium Enterprise (SME) Credit from Commercial Banks in Indonesia?" paper delivered at USAID Retreat Nov. 2000.

"Strategy of Financing Small and Medium Enterprises in a New Economic Environment," paper delivered at Fiftieth Anniversary Celebration of the University of Indonesia Economics Faculty, 2000.

Four Contributions to Development Finance List

Talk for JITF Workshop

Memo on Moratoria for JITF

Memo on Public Accountants for BI

Memo on Proposals for Regulation of MFI, Dec. 13, 2000.

"Strategy of Financing Small and Medium Enterprises in a New Economic Environment Other Documents," presented at the conference on "The Indonesian Economic Recovery in Changing Environment," at the 50<sup>th</sup> Anniversary of the Economics Faculty of the University of Indonesia, October 4, 2000 in Jakarta.

Miscellaneous Memoranda and Reports of Malang, Makassar, and Padang Seminar Attached, and of the Jogya SemiLoka on Microfinance reported previously.

"PEG/USAID Support for Socialization Seminars"

"Small Enterprise Lending as A Cash Cow"

"Future USAID-BI Collaboration"

"Socialization and the Rural Credit Survey"

"April 12 Session"

"Decentralized Offices of a Central Bank"

"Revised Draft of Presentation for April 12, 2000, meeting."

"FUNDING SUPPORT FOR TA AND TRAINING TO JUNE 30, 2000"

## Partnership for Economic Growth (PEG)

"PADANG SEMINAR AND THE FUTURE"

Solider and Mulia Simatupang, "Pengembangan Pembiayaan Usaha Kecil dan Menengah di Amerika Serikat (Development is Small and Medium Enterprises Finance)."

Achmad Effendy A.R. and Herdiana A. Widayat, "Laporan Studi Banding Pembiayaan Usaha Kecil Di Korea."

"Proposal Sosialisasi Pemberian Kredit Kepada Usaha Kecil di Daerah."

Achmad Effendy A.R. and Herdiana A. Widayat, "Laporan Studi Banding Pembiayaan Usaha Kecil di Philipina."

Abdul Azis and Khulusiniah, "Laporan Studi Banding Pembiayaan Usaha Kecil di India."

Abdul Azis and Khulusiniah, "Laporan Studi Banding Pembiayaan Usaha Kecil di Thailand."

"Pemikiran Pengaturan Lembaga Keuangan Mikro di Indonesia Pada Masa yang Akan Datang." For Lokakarya Lembaga Keuangan Mikro.

"Information Needed for DBPR: A Preliminary Survey," IBI Proposal.

""Penelitian untuk Penyusunan Kasus Strategi Pembangkitan Kembali (Turn-around Strategy) pada PT BPR Kusuma.," IBI Proposal.

Re: Revised Draft of Presentation for April 12, 2000 meeting with Working Group of Ekouin.

Statement by Dr. Thomas A. Timberg, For USAID Retreat

Study Tour of Neighboring Countries

Trip to Central Java

Comments on Paper of Dr. Urata

RE: ISLAMIC BANKING REPORTS  
Guarantees and linked deposits: what, by whom, why.

Question, paper for commercial bank seminar

Re: Agricultural Credit and USAID/Indonesia

"Small Enterprises as An Essential Part..."

Urban BPR

Semarang Trip

## Partnership for Economic Growth (PEG)

Study on Guarantee Schemes

Memo to Mangara Tambunan

Notes on Seminar on Credit Guarantees

Three Clients

Policy Group Recommendations

Re: Seminar at BI on Special Course on Small Business Finance

Paper by Imam Sukarno for World Bank Workshop in Manila, March 24, 2000.

Official Proceedings of Seminars: There is a paper by the PEG adviser in the proceedings of the first, it is omitted in the second, and in the third the report was presented by Dr. Sukiswo of IBI:

“Pembiayaan Dan Penjaminan Kredit Koperasi Dan Pengusaha Kecil Dan Menengah”, Feb. 8<sup>th</sup>. – Funding and Guarantees for Cooperative and SME Credit. The paper on Guarantees is by the adviser.

“Status Pemberian Kredit Usaha Kecil Bank Umum Dan Faktor-Faktor yang Dapat Mendukung Pemberian Kredit di Masa Datang,” Feb. 24<sup>th</sup>. The Status of SME Credit from Commercial Banks and the Factors Which Will Encourage Such Credit in the Future” and Timberg overheads.

“Lokakarya tentang Pengembangan Microfinance di Indonesia,” Workshop on Microfinance in Indonesia, on BPRs, Feb. 25-26 and IBI overheads. The final version of this is not yet ready and will be attached to the next report.

“Pengembangan Pembiayaan Usaha Kecil dan Menengah di Amerika Sarikat.”

Draft Bank of Indonesia TORs:

Report of Agus Chusani on CGAP Training.

Comparative Study Tour

Socialization

Commercial Bank Survey

DBPR Study

Memo on Urban BPR

## Partnership for Economic Growth (PEG)

Clients, Goals, Activities, Achievements 2000.

<b>CLIENTS</b>	<b>GOALS</b>	<b>ACTIVITIES</b>	<b>ACHIEVEMENTS</b>
<i>Credit Bureau, Bank Indonesia</i>			
	Focus on Policy/Research	Research on Commercial Bank SME Lending	Study Completed and Disseminated at UI Seminar Leading to Recommendation to Suspend Quotas
		Train And Orient HRD	Courses in DC, Region and CGAP -- 8 of 20 people including senior involved.
	Involve with SME Community and Banks	Socialization Seminars	Four Regional Dialogues -- Jakarta, Padang, Makassar, Malang, and Bandung
	Phase Out Compulsory Lending Quota	See Study Above	Recommendations Made
<i>Rural Banking Directorate, Bank Indonesia</i>			
	New, Economic, Market Oriented Supervision System for BPR and other MFI	National Seminars in Bogor and Jogya	Joint with GTZ and BI secured consensus on cleaning out sector. First stage 260 BPR to be closed, then another 260.
		IBI Study on BPR Operations	Study Fed into Jogya Workshop
		Workshops on Information Systems and SME Loan Workout	Scheduled for January 2001
		Support for Overseas Presentations and Discussion of Basic Strategy	In Frankfurt and Manila
		Responses on Policy Issues	Specific Information Provided
	Orient Toward International MF SOA	CGAP Training	3 Participants in Asia, 2 in EDI Institute
		TNA for MF for BI	Under Review by BI
		Develop CGAP Courses in Indonesia	Proposed for Jan 2001
<i>State Ministry for SME and Cooperatives</i>			
	Develop New Policy Orientation	CGAP Training	Two Senior People participated and returned to launch two initiatives -- a similar course in Indonesia and a national MFI regulatory approach (parallel with BI Bogor thrust).
	Deal with Proposals for Guarantees	Seminar in Jogya	First nationwide address to issue

## Partnership for Economic Growth (PEG)

	Assist with Developing Government Wide Policy	General Assistance to Working Group -- comments, support for January Seminar etc.	Developing Role of Working Group as Coordinating Center
	Revision of SME Law	Expert at Work	Work in Progress
<i>Bank Indonesia, Office of the Governor</i>			
	Facilitating Attention to Overall Governance Issues	Issue of FRB model of management handed over to FSVC, program underway	In Progress
	Providing Assistance on Bank Supervision	Proposed TOR under final negotiation with BI	In Progress
<i>Jakarta Initiative</i>	Assisting with Procedures for Handling SME clients	Comments and Discussion, Support for Seminar with WB and SIAGA	In Progress

# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report

**Robert C. Rice: SME Advisor,  
Office of the State Minister of Cooperatives,  
Small and Medium Enterprises (Mennegkop)**

**Reporting Period: 2000**

**Robert Rice was on leave during approximately 25 percent of 2000.**

In this report first I will present the most relevant "success stories" from this year, and then discuss the accomplishments associated with each Workplan activity and plans for the year ahead.

### **My Most Relevant "Success Stories"**

Extremely important in producing the successes discussed below has been the development of cordial working relations with several key Echelon 1 and 2 Mennegkop officials and a considerable number of other officials. Without their strong support and cooperation most of the accomplishments mentioned below could not have been realized. Because of these relationships, frequently I have been called up to provide in English or Indonesian, informally or formally in meetings and in writing, comments on various policy and other issues such as legislation, speeches and other papers. In these consultations I have argued for practical approaches which make use of markets and the non-government sector and recognizes the limitations of some of the previous approaches used. This has contributed to the achievement of two of USAID's Economic Growth Strategy Intermediate Results (IRs), 1) Sound economic policy and institutions" and "A conducive legal and regulatory framework". Also PEG by helping to facilitate SME and cooperatives (SMEC) development is helping to achieve a third IR, "Open access to economic opportunity" by the millions of SMEs.

The first "success story" is helping Mennegkop to reach out to the provincial and local government administrations informing them about Mennegkop's new more decentralized supportive role to these administrations and its desire to assist them in fulfilling their roles as the main government agents for facilitating the development of cooperatives and SMEs with decentralization. This was especially realized though the conducting of the two seminar-workshops in Semarang and Surabaya on increasing human resources guiding cooperatives and SMEs including my paper on factors affecting the competitiveness of SMEs with an emphasis on the positive roles local governments should have in facilitating this competitiveness. Because most of the participants were local government officials and from the non-government including the private sector, this also contributed to the fourth IR, "Knowledgeable Public Participation in Economic Decision Making", because public participation in decision-making processes concerned with SMEC policies was encouraged.

A second "success story" is substantial assistance to the National Task Force for the Development of SMEs and Cooperatives which resulted in improvements in their drafts of "Daftar Issue UKM Sub Pokja Pengembangan Iklim Usaha Kecil & Menengah Matrix" (List of SME Issues of the Sub Task Force for Development of the Climate for Small and Medium Enterprises Matrix) which forms the basis of the draft Action Plan for SMEs and Cooperatives being prepared by this Task Force. This also contributed to the first two USAID IRs.

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A third "success story" is related to the first one, namely supporting Mennegkop through various types of research on SME and cooperative conditions, issues and policies, involving Mennegkop colleagues in this research and discussions of it with our using both Indonesian and English. This resulted in the various research reports and seminars on this research mentioned below. In addition to contributing to the first three IRs, this accomplishment also had a training element.

A fourth "success story" has to do with credit guarantee schemes and SME credit policies. Mennegkop and the Badan Pengembangan Sumber Daya Pengusaha Kecil dan Menengah (Small and Medium Enterprise and Cooperatives Development Agency or SMECDA) are generally keen on introducing credit guarantee schemes for SMEs and cooperatives. While supporting this initiative, Thomas Timberg and I have pointed out these schemes' limitations and possible pitfalls. Also we have stressed the shortcomings of subsidized interest rates for SMECs and the need to facilitate efficient increased supplies of credit to SMEs by all types of financial institutions at market rates as well as the importance of alternative financial institutions such as venture capital, Islamic profit sharing, and equipment leasing alternatives. The seminar in Yogyakarta on credit guarantee schemes and seminars in Padang and Makassar promoted these ideas. Mennegkop and SMECDA have mainly adopted practical policies regarding credit guarantee schemes and credit supply to SMEs, even though they are under much political pressure to continue with subsidized interest rates as in the past and be overly generous with their credit guarantee schemes. Continued PEG assistance in this area is needed.

Some perhaps less important "success stories" related to "success story" one are 1) apparently some senior Mennegkop officials found my paper "Recommendations for Actions to Improve Small and Medium Enterprise Policies as a Follow-up to the National Workshop of SE Development in 1999 to be particularly useful; 2) Presented a written list of Possible ADB SME Technical Assistance Fund Uses to a high level Mennegkop meeting which assisted them in preparing their materials for a meeting with other Government Departments on this matter; 3) Assisted Mennegkop staff in analyzing the possible adverse effects of the Law No. 8, 1999, on Consumer Protection, for small and medium enterprises.

### **Accomplishments and Plans for the Year Ahead**

**Workplan Activity 1:** *Endeavor to increase the understanding of the possible efficient contribution of small and medium enterprises (SMEs) to Indonesian economic growth and development*

### **Accomplishments**

#### **The following were accomplished:**

1. Completed paper, "Factors Affecting the Competitiveness of Small and Medium Enterprises" and the Indonesian language translation of this paper, which has been quite widely distributed to local governments in Central and East Java. It provides them with information about possible ways local governments can help to improve the business climate for SMEs.

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2. Completed paper, "Small Enterprises as an Essential Part of the Indonesian Development Strategy". It lays out an export oriented strategy suitable for Indonesia based on both agribusiness and labor-intensive industries, and describes the possible effective and efficient contributions SMEs can make to Indonesian development, while noting that in many activities large enterprises are also still required. It was presented to professionals at the Office of the State Minister for Cooperatives, SMEs, and to the Economics Faculty at Hasanuddin University.
3. Completed paper "A Comparison of the Development of Small and Medium/Large Indonesian Manufacturing Enterprises from 1986 to 1996 by Sector". It shows that small manufacturing enterprises performed very well during this period and presents important conclusions about the nature of small enterprise manufacturing growth by industry at the two and three digit levels compared with medium and large enterprises.

### **The Year Ahead**

No specific work is planned.

**Workplan Activity 2:** *Participate and contribute to the intellectual and research activities of the Department of Cooperatives, Small and Medium Enterprises (DEPKOP)/Mennegkop by attending and giving seminars and generally interacting with Departmental colleagues.*

### **Accomplishments**

#### **The following were accomplished:**

1. Presented one paper "A Comparison of the Development of Small and Medium/Large Indonesian Manufacturing Enterprises from 1986 to 1996 by Sector" to a Mennegkop seminar as the main speaker; made a presentation to a USAID funded seminar on sets of issues, recommendations, and other recommended actions to develop the business environment for small and medium enterprises; and presented a written list of Possible ADB SME Technical Assistance Fund Uses to high level Mennegkop meeting.
2. Provided input to several formal rather large Mennegkop internal meetings and seminars.
3. Participated in numerous rather informal meetings with Mennegkop staff.

### **The Year Ahead**

No specific activity is planned other than that provided by short-term consultants engaged mainly for other purposes.

**Workplan Activity 3:** *Together with the DEPKOP Centre for Cooperative Research and Development (CCRD) staff, study the factors hindering the*



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*competitiveness of SMEs relative to larger enterprises, with an emphasis on distortions which hamper SME development, and make recommendations for improving the environment in which SMEs operate with the objective of increasing economic efficiency. A policy memorandum/report will be **completed by the end of February 2000**, although the activity will also continue further into 2000.*

### Accomplishments

The field research was completed by us and a rough draft of this report completed by me and two Mennegkop colleagues. The Badan Penelitian dan Pengembangan Koperasi, PK & M (Research Agency for the Development of Cooperatives, Small and Medium Enterprises) of the Department of Cooperatives, Small and Medium Enterprises, published a report on this research, *Kajian Tentang Peningkatan Kemampuan Daya Saing Koperasi, PKM dalam Perekonomian Nasional*, which was presented in a Mennegkop seminar. However, this report did not utilize a lot of the information collected, which is why we are doing another report.

### The Year Ahead

Complete the final version of the report and present it to Mennegkop.

**Workplan Activity 4:** *Together with Centre for CRD staff, study the factors affecting backward linkages from larger enterprises to SMEs and make recommendations to facilitate these linkages in ways mutually beneficial to both parties. In doing this coordinate with Dr. James Mudge, the PEG International Trade Economist with MOIT, who is analyzing the development of backward linkages and employment effects of non-oil exports, and the Institute for Economic and Social Research (University of Indonesia) and K. Mark Weaver of the University of Alabama who are doing research on strategic alliances between small and medium enterprises. A draft policy memorandum will be **completed by the end of March 2000**. However, attention will continue to be paid to this question during 2000.*

### Accomplishments

Some literature review and interviews conducted, but the main work remains to be completed.

### The Year Ahead

Engage a short-term consultant to complete this work, because of the necessity of R. Rice to end his tour as long-term consultant on February 12th. Rice will provide this

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consultant with background materials and detailed guidance in carrying out the research, and perhaps provide some input into the final product later in the year.

**Workplan Activity 5:** *Assist Mennegkop with its input into the Tim Koordinasi Pengelolaan Program Daya Saing Industri dan Pengembangan Usaha Kecil dan Menengah (Management Coordination Team for the Industrial Competitiveness and Small and Medium Enterprise Development Program. On March 7, 2000, the State Minister for Cooperatives, SMEs made decision number 21/Kep/MENEG/III/2000 to form a new Kelompok Kerja Pengembangan Usaha Kecil, Menengah dan Koperasi (Task Force for the Development of SMEs and Cooperatives), which is one of the two Task Forces formed under a new Tim Koordinasi Pengelolaan Program Peningkatan Daya Saing Industri dan Pengembangan Usaha Kecil, Menengah dan Koperasi (Management Coordination Team for the Industrial Competitiveness and SME and Cooperatives Development Program). I am assisting Mennegkop with its inputs into this Team and Task Force.*

### Accomplishments

Provided substantial assistance to this Task Force in the form of written materials and participation in meetings which resulted in improvements in the drafts of "Daftar Issue UKM Sub Pokja Pengembangan Iklim Usaha Kecil & Menengah Matrix" (List of SME Issues of the Sub Task Force for Development of the Climate for Small and Medium Enterprises Matrix) which forms the basis of the draft Action Plan for SMEs and Cooperatives being prepared by this Task Force.

### The Year Ahead

No definite plans

**Workplan Activity 6:** *Mennegkop is taking the lead in designing, developing, and facilitating schemes for the guarantee of credit to small and medium enterprises and cooperatives which are suitable given Indonesian conditions. These credit guarantee schemes can be implemented by the national Government, such as the present ASKRINDO and PERUM PKK schemes, provincial governments (not yet developed), by private groups such as cooperatives, religious organizations and other non-government organizations, and private enterprises, and by foreign donors such as USAID. This advisor has been asked to assist with these activities. Therefore the related workplan activity is to provide assistance to Mennegkop with these activities as appropriate.*

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### Accomplishments

Presented two papers on the possible benefits and costs of credit guarantee schemes, possible roles for the private sector, and some experiences from other countries at a one day seminar. Held several discussions with Mennegkop colleagues on credit guarantee schemes. Credit guarantee schemes have become an important part of the SMECDA activities for facilitating SME and cooperatives development.

### The Year Ahead

Further technical assistance in this area will continue to be provided mainly by the PEG Small Credit Advisor, Thomas Timberg.

**Workplan Activity 7:** *In support of increasing the efficient contribution of small and medium enterprises to the Indonesian recovery and development, carry out analysis and provide comments on selected issues in response to requests for support from Mennegkop. This work item is intended to allow the advisor the flexibility to address shorter term, unanticipated tasks that warrant attention in the context of supporting increased efficient contribution of SMEs to Indonesian economic growth.*

### Accomplishments

The following were accomplished:

1. Provided input into seminars and meetings on policies for fostering SMEs, intellectual property rights, revising the cooperatives law, and on the difficulties faced by an electricity cooperative on Lombok island.
2. Prepared a paper "Recommendations for Actions to Improve Small and Medium Enterprise Policies as a Follow-up to the National Workshop of SE Development" which was found to be particularly useful by some senior Mennegkop officials.
3. Presented a written list of Possible ADB SME Technical Assistance Fund Uses to a high level Mennegkop meeting, which assisted the Mennegkop officials in preparing their materials for a meeting with other Government Departments on this matter.
4. Assisted Mennegkop staff in analyzing the possible adverse effects of the Law No. 8, 1999, on Consumer Protection, for small and medium enterprises.
5. Assisted with the preparation of several presentations of Mennegkop senior staff.
6. Assisted with Mennegkop preparations for a SME Donor Coordination meeting held on June 22nd.

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7. After visiting Lombok island with Mennegkop colleagues, prepared reports for Mennegkop on especially the financial condition of Koperasi Listrik Pedesaan "Sinar Rinjani" ("Sinar Rinjani" Village Electrical Cooperative), Lombok Timur, and on the levels of welfare in the area served by Koperasi Listrik Pedesaan "Sinar Rinjani".
8. Prepared numerous memos to and held informal meetings with Mennegkop colleagues.
9. Began to develop relationships with key officials at the relatively new SMECDA with the expectation of providing and arranging for the provision of short-term technical assistance and training.

### The Year Ahead

1. Short-term technical assistance to SMECDA on determining the best ways of this agency supplying the most attractive types of services to provincial and district governments, and in SMECDA facilitating the supply of business services to SMEs and cooperatives including through the facilitation of private sector providers.
2. Short-term technical assistance to SMECDA and Mennegkop to analyze the changes in the delivery of services and the overseeing by Mennegkop of savings and loan cooperatives with the change from Department of Cooperatives to Mennegkop, the establishment of SMECDA, and decentralization, and their impacts on the savings and loan cooperatives. The main objective of this assistance would be to make recommendations for improvements in programs and policies.
3. Funding and technical assistance to SMECDA to hold a workshop to formulate a plan of action for initiating improvements in the coordination and cooperation among mainly public providers of information (such as the Dinases) to small and medium enterprises especially in the districts of Indonesia.
4. Short-term technical assistance to SMECDA for training needs assessment for SME development in the regions. Under this assistance a short-term consultant, assisted by the Badan, would carry out an assessment of the training and other assistance needs of SMEs and cooperatives including analysis of the strengths and weaknesses of previous assistance provided by the Department of Cooperatives, Small and Medium Enterprises.

**Workplan Activity 8:** *Assist Mennegkop to organize and make preparations for two regional workshops on the new directions of Government policy with the reorganization of the Department of Cooperatives, Small and Medium Enterprises into the Office of the State Minister for Cooperatives, Small and Medium Enterprises and the resultant change from an implementing organization to a policy formulation, coordination, and monitoring organization. The main purposes of the workshops would be the socialization of the new Government*

## Partnership for Economic Growth (PEG)

*policies as well as to obtain valuable input and feedback from the participants and facilitate the exchange of ideas among them.*

### **Accomplishments**

Materials were prepared for two Seminar-Workshops (Semiloka) which were held in Semarang and Surabaya with the title "Semiloka Peningkatan Sumber Daya Manusia Pembina Koperasi dan PKM Menuju Era Globalisasi Ekonomi" (Seminar-Workshop to Increase Human Resources Guiding Cooperatives and SMEs into the Era of Economic Globalization).

### **The Year Ahead**

At least two more workshops of this type will be held in Padang, West Sumatra, and Medan, North Sumatra.

**Workplan Activity 9:** *Assist Mennegkop to organize and make preparations for one pilot workshop organized by the office of the State Minister for Cooperatives, SMEs, the Department of Home Affairs, and provincial governments held in the regions about policies and other factors hindering the development and competitiveness of SMEs. These would bring together Government agencies, SME organizations, NGOs, SMEs financial institutions, SME experts and other appropriate parties to discuss these issues and make recommendations for follow-up actions. Based on this experience the workshops might be repeated later in other provinces.*

### **Accomplishments**

This pilot workshop has not been held, mainly because of the strong Mennegkop support for having two or three more workshops of the type described in Workplan Activity 8.

### **The Year Ahead**

It is still important to hold this pilot workshop, but the desire of Mennegkop to hold it will need to be reassessed.

**Workplan Activity 10:** *Study the types of non-agricultural products produced by SMEs which are potentially exportable or exported, although not necessarily by the SMEs themselves. Together with Mennegkop, investigate the factors which determine the competitiveness of SMEs in producing non-agricultural exportable goods and services, and hinder them from becoming exporters. Make recommendations about possible ways of facilitating these exports.*

## Partnership for Economic Growth (PEG)

### Accomplishments

Some preliminary work completed through meetings with two cooperative organizations exporting primary and manufactured products in Jakarta and Klaten, Central Java, and through a review of some of the relevant literature.

### The Year Ahead

Assistance by R. Rice to Mennegkop in designing a study of factors affecting the exports of non-agricultural SME exports and export goods produced by SMEs, and short-term technical assistance to Mennegkop in analyzing the types of costs of exporting SME products including those of moving the goods through Indonesian harbors, and making recommendations for improvement.

**Workplan Activity 11:** *Together with Mennegkop staff and in cooperation with the Asia Foundation, study the capacities of the BAPPEDA, DEPKOP and other local government agencies at Tingkat I and II to identify SME and cooperative needs (including the need to remove unnecessary constraints on their development) and formulate appropriate policies and actions to facilitate their efficient contribution to economic growth, and make recommendations for improving their capacities to achieve this. If this activity is to be implemented, the strong support of Mennegkop will be required.*

### Accomplishments

Some interviews held and various discussions, but the main study has not been approved nor begun.

### The Year Ahead

With the arrival of the new well funded ADB SME and Cooperatives technical assistance team to Mennegkop, it is important to encourage them to undertake this activity. If they are unable to do it, PEG technical assistance to carry out this activity is important, provided there is strong support and commitment from Mennegkop and the pertinent local governments.

### Other Work Activities:

### Accomplishments

The following were accomplished:

1. Through a talk on "Small and Medium Businesses as Partners in Economic Growth" to The 12th Economic Cooperation Conference between the Republic of Indonesia and The Republic of China held in Jakarta, presented information about possible ways that small and medium businesses could cooperate for mutual benefit to the Taiwanese and Indonesian business-persons in attendance.

## Partnership for Economic Growth (PEG)

2. Completed a short paper, "Three Basic Causes of Indonesian Major Economic Problems Which can be alleviated by Foreign Assistance" which was distributed to selected GOI, USAID and PEG personnel.
3. Wrote "Some notes on WORKING MEETING ON SME DEVELOPMENT held at Aryaduta Hotel for Mennegkop SME and Cooperatives Task Force members.
4. Gave talk on SME development, finance and business development services to Ikatan Wanita Pengusaha Indonesia (Indonesian Entrepreneur Women's Association) at the US Commercial Center in Jakarta.
5. Presented in Indonesian a paper mainly prepared by Thomas Timberg on loans to small businesses as a source of profits to "Seminar Usaha Kecil dan Menengah Sebagai Penggerak Roda Perekonomian" (Seminar on Small and Medium Enterprises as Activators of the Economic Wheel) in Padang, West Sumatra, and in Makassar, South Sulawesi.
6. Gave a general lecture on Economic Development Strategy and Strengthening Small and Medium Enterprises to the Economics Faculty of Universitas Hasanuddin in Makassar, South Sulawesi.
7. Provided inputs to visiting consultants.
8. Helped to review various grant proposals to PEG.
9. Prepared numerous memoranda making recommendations and other comments on various activities, papers and proposals related to small enterprise development and cooperatives.
10. Made contributions to many USAID and other meetings and provided comments on various USAID and other papers.
11. Helped to make the preparations for short-term technical assistance to Mennegkop and SMECDA.

### **The Year Ahead**

Similar type activities as above to the extent that I will be assisting the PEG project.

Preparations for further short-term technical assistance to Mennegkop and SMECDA.

### **Training Activities:**

The two Seminar-Workshops (Semiloka) held in Semarang and Surabaya with the title "Semiloka Peningkatan Sumber Daya Manusia Pembina Koperasi dan PKM Menuju Era Globalisasi Ekonomi" (Seminar Workshop to Increase Human Resources Guiding

## Partnership for Economic Growth (PEG)

Cooperatives and SMEs) into the Era of Economic Globalization) mentioned under **Workplan Activity 8** above can be considered to be training activities.

### **The Year Ahead**

Two more of these Seminar-Workshops to be held in Padang, West Sumatra, and Medan, North Sumatra, and possibly one more in another province.



# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report:

**Dr. William Wallace, Macroeconomic Advisor Bappenas  
2000**

**Reporting Period:**

### Introduction

This year saw the culmination of two years of PEG activities at Bappenas. Since January 1999 the consultant has been working with Bappenas staff, short-term consultants, other PEG/Bappenas advisors, other consultants under PEG and ECG financing, and other multilateral and bilateral advisors in an effort to improve the macroeconomic analysis and policy prescriptions included in the the National Development Plan (Propenas). Propenas was passed into law by the Parliament in the last quarter of 2000. While there remains a lot of room for improvement this National Development Plan represents a breakthrough from previous ones. First, it was focused on issues rather than budget sectors. Second, it better identifies and separates central government obligations and priorities from regional and sectoral ones and empowers the regions and sectors to go forward with their own efforts to address national, regional and sectoral priorities. Third, it was widely discussed both in Jakarta and the regions, with experts, regional governments and thus represents a major step by the GOI to sell its policies and programs. Finally, it includes, at least more than previous plans, more concern with economic efficiency, the limits of government, and fiscal sustainability.

**Workplan Activity 1:**        *Model Development, mid-term macroeconomic analysis, policy agenda development and projections.*

### Accomplishments:

As stated in the introduction, this activity saw the greatest accomplishment in the last year, even two years, culminating in the passage of Propenas into law. The Propenas depends heavily on the modeling framework the consultant assisted Bappenas in creating, builds on the “Looking to the Future” whitepaper done in 1999 that lays out a number of policy issues across a broad spectrum that incorporate PEG and other consultant advice.

On a purely modeling basis this involved modifications to the multiyear horizon and a model framework to deal with quarters and modified fiscal years in 2000.

With the publication of “The Indonesian Economy in the Year 2001: Prospects and Policies” the consultant has continued to work with Bappenas staff and other consultants to provide input on key policy issues and their impact on economic outcomes and this output should affect future policy prescriptions.

**Workplan Activity 2:**        *Capacity building*

### Accomplishments:

## Partnership for Economic Growth (PEG)

This activity involves direct hands on support to Bappenas staff outside the core tasks above, although overlap is substantial. Important contributions were made in:

- Assisting Bappenas in developing and producing a monthly macroeconomic indicator report to the Cabinet, as step toward quarterly modeling and forecasts. Additional assistance to staff on Annual Macroeconomic projection published early January 2001.
- Providing extensive staff training on model development and use, especially in the budgeting area.
- Finishing off the transfer of inflation and real exchange rate modeling to Bappenas staff working with Kelly Bird on refinements to model framework.
- Worked with staff to assist them in preparation of memos to senior officials, and presentations to outside audiences.
- Feedback from staff senior officials and others is that target staff under the Deputy for Macro Economics continue to make strong contributions to progress on a wide range of economic issues in Indonesia.

### **Workplan Activity 3:**        *Crisis support/catch all*

#### **Accomplishments**

Efforts seemed to fall into a number of broad areas. First, and most closely related to my overall work plan I wrote numerous memos on macro and macro related issues. Second, I worked with the Chairman and staff on policy statements in preparation for meetings with the donors (CGI and others). Third, I assisted USAID in designing a conference agenda for the annual retreat in October. Fourth, I supervised, including the writing of Terms of References, the research agendas of a number of short-term consultants, in Poverty, Investment and Labor as well as some on monetary policy for consultancies at BI during the transition to a new long-termer there.

Key specific examples: (mostly for Bappenas, but some to the National Economic Board)

Support for macropolicy and projections

Comparing mid-term projections from Propenas and IMF

Budget costs

Review of Bank recapitalization expenses in the mid-term

The 70% rule

Likely (and possible) Privatization revenues

Private funding for investment

Credit expansion, FDI and Retained earnings

Total Factor Productivity

Issues in commercial borrowing,

Inflation and Inflation targeting (DEN)

Economic issues in the Indonesian Constitution (DEN with Gary Goodpaster)

# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report

Dr. Timothy S. Buehrer      Reporting Period: 2000  
Macroeconomic Advisor – Bappenas/  
Office of the Coordinating Minister for Economic Affairs

In the six months of 2000 that I have been working on this project I have been worked with various groups within Bappenas and the Coordinating Minister's office to address a range of policy issues. The most significant success was our input into the process by which the government backed off from closing investment in internet related activities from foreign investment. We also were able to assist the Sekretariat Negara in its efforts to reorganize itself more along the lines of the US Executive Office of the President, though that effort is still ongoing.

As of January 1<sup>st</sup>, I have been assigned to work full time for the Coordinating Minister's office. For that reason, I have prepared a new annual workplan which is being submitted alongside this report and I have left out a discussion in here of future activities.

*Workplan Activity 1: Identify and analyze key economic policies affecting the recovery of the Indonesian economy.*

### Accomplishments

Accomplishments here were focused in debt management and agricultural policies. One memorandum on debt management examined ways in which the government's debt to the central bank could be reduced. Another memo examined the macroeconomic impact of bond sales, an issue that has not received much attention. These memoranda were circulated widely within the government and have led to an improved understanding of issues relating to debt management. The memoranda on agricultural policies, mostly prepared in cooperation with Jim Gingerich of the Food Policy Program, focused on the impact of rice and sugar policies on different groups in society. This work has provided support to those in the government who are seeking a more market-friendly approach to agricultural policy.

*Workplan Activity 2: Improve the capability of Bappenas and the Office of the Coordinating Minister to track the performance of the Indonesian economy and anticipate policy issues*

### Accomplishments

Our work in this area, much of which has been accomplished in cooperation with Kelly Bird and Bill Wallace, has followed two paths. Our goal was to assist Bappenas in preparing its own monthly analysis of macroeconomic indicators building on a previously existing statistical report. At the same time, we were preparing a separate monthly macroeconomic analysis until such time as Bappenas could take over the activity. By December Deputy I at Bappenas had advanced to the point where it was clear that a separate report prepared by the PEG staff was no longer necessary. Instead, we began preparing a flash report each month on macroeconomic conditions for use by the Coordinating Minister.

## Partnership for Economic Growth (PEG)

We have also been working with the new Deputy for the Macroeconomy, Finance, and Bank Restructuring in the Coordinating Minister's office on issues relating to the restructuring of his bureau and the training of his staff. This will be a major focus of my work over the next year.

Finally, I worked closely with the staff of the Sekretariat Negara to assist them in developing a new organization for the staff of the President. This work led to a number of memoranda outlining the way in which the US Executive Office of the President is organized and the organization of a study trip to Harvard University, paid for by the Sekretariat Negara, to talk to experts there about issues relating to presidential office organization and presidential decision-making.

*Workplan Activity 3: Respond to requests from Bappenas and the Office of the Coordinating Minister for Economic Affairs as required.*

### Accomplishments

Prepared a broad range of papers on subjects ranging from soybean tariffs, foreign investment negative lists, trade, to modalities of economic policy research. In addition, I have assisted the government in preparing materials to be used to explain Indonesian economic policy to foreign audiences.

# Partnership for Economic Growth (PEG)

## Individual Annual Progress Report:

**Kelly Bird, Economic Advisor Bappenas  
2000**

**Reporting Period:**

### Introduction

This year saw the culmination of two years of PEG activities at Bappenas. Since January 1999 the consultant has been working with Bappenas staff, short-term consultants, other PEG/Bappenas advisors, other consultants under PEG and ECG financing, and other multilateral and bilateral advisors in an effort to improve the macroeconomic analysis and policy prescriptions included in the the National Development Plan (Propenas). Propenas was passed into law by the Parliament in the last quarter of 2000. While there remains a lot of room for improvement this National Development Plan represents a breakthrough from previous ones. First, it was focused on issues rather than budget sectors. Second, it better identifies and separates central government obligations and priorities from regional and sectoral ones and empowers the regions and sectors to go forward with their own efforts to address national, regional and sectoral priorities. Third, it was widely discussed both in Jakarta and the regions, with experts, regional governments and thus represents a major step by the GOI to sell its policies and programs. Finally, it includes, at least more than previous plans, more concern with economic efficiency, the limits of government, and fiscal sustainability.

**Workplan Activity 1:**      *Model Development, mid-term macroeconomic analysis, policy agenda development and projections.*

### Accomplishments:

As stated in the introduction, this activity saw the greatest accomplishment in the last year, even two years, culminating in the passage of Propenas into law. The Propenas depends heavily on the modeling framework the consultant assisted Bappenas in creating, builds on the “Looking to the Future” whitepaper done in 1999 that lays out a number of policy issues across a broad spectrum that incorporate PEG and other consultant advice.

With the publication of “The Indonesian Economy in the Year 2001: Prospects and Policies” the consultant has continued to work with Bappenas staff and other consultants to provide input on key policy issues and their impact on economic outcomes and this output should affect future policy prescriptions.

**Workplan Activity 2:**      *Capacity building*

### Accomplishments:

This activity involves direct hands on support to Bappenas staff outside the core tasks above, although overlap is substantial. Important contributions were made in:

- Assisting Bappenas in developing and producing a monthly macroeconomic indicator report to the Cabinet, as step toward quarterly modeling and

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forecasts. Additional assistance to staff on Annual Macroeconomic projection published early January 2001.

- Providing extensive staff training on model development and use, especially in the monetary and real sectors.
- Worked with staff to improve inflation forecasting capacity and developed and transferred a real exchange rate forecasting model to Bappenas staff. The parameters of the real exchange rate are to be linked with the external trade module of Bappenas' macro-economic framework. This improves model consistency and balance of payments analysis.
- Worked with staff to develop a corporate debt model including both the domestic and external sectors. This model had earlier incorporated the INDRA scheme, which has now been closed.
- Worked with staff to assist them in preparation of memos to senior officials, parliamentarians and presentations to outside audiences.
- Feedback from staff senior officials and others is that target staff under the Deputy for Macro Economics continue to make strong contributions to progress on a wide range of economic issues in Indonesia.

### **Workplan Activity 3:**        *Crisis support/catch all*

#### **Accomplishments**

Efforts seemed to fall into a number of broad areas. First, and most closely related to my overall work plan I wrote numerous memos on real sector, corporate debt restructuring issues and recently monetary related issues. Second, I worked with the Chairman and staff on policy statements in preparation for meetings with the donors (CGI and others).

Key specific examples:

Support for macropolicy and projections (inflation, exchange rate, trade flows; capital flows)  
Inflation forecasting including assisting Bappenas staff in their preparations for discussions on inflation and monetary policy with IMF technical team  
Issues in corporate debt restructuring including memos to member of FSPC secretariat on ways to dispose of SME loans held by IBRA ,  
Legal issues in alternative corporate debt resolution mechanism (with Gary Goodpaster)  
Assisting Bappenas staff in preparation of statements on poverty to donors  
Analysis and monitoring of real sector developments over 2000

**PEG PROJECT**  
**ANNUAL TRAINING SUMMARY**

## PEG Project Training Summary

January 1 - December 31, 2000

**Table A** Table A summarizes **all training events** undertaken by the **PEG Project TA Team** to date.  
The entries highlighted in **bold** describe training events completed during the current reporting period.

Dates of Training		Title of PEG-TA Training Activity	# Hours of Instruction	# of Male Participants	# of Female Participants	Total # of Participants	Total # of Person-Hours Taught	USA or Indonesia	PEG ST TA used?	PEG LT Manager	relevant USAID Intermediate Result
5-Apr-99	6-Apr-99	Competition Policy Workshop, Bali (PEG lecturer at grantee event)	6	19	6	25	150	IND		KB, PB	CORP
9-Apr-99	12-Apr-99	Lectures in Contracts Law at University of Indonesia Law School	7	22	12	34	238	IND		PB	CORP
5-May-99	5-May-99	Seminar on Lending for Micro- and Small-Scale Businesses	8	30	4	34	272	IND		TT	FIN
16-May-99	16-May-99	Competition Policy Workshop, SulSel (PEG lecturer at grantee event)	6	28	10	38	228	IND		KB, PB	CORP
24-Jun-99	24-Jun-99	Seminar on Business Development Services for SMEs	9	48	17	65	585	IND		TT, RR	FIN
26-Jun-99	24-Jul-99	Overseas Training: HIID Macroeconomic Policy & Management Course	160	3	1	4	640	USA		BT, BW	CORP
27-Jun-99	10-Jul-99	Competition Policy Law & Economics Workshop, Bali (PEG-ELIPS)	36	24	13	37	1332	IND		GG,SVM,PB	CORP
25-Jul-99	7-Aug-99	Overseas Training: HIID Global Financial Crises & Reform Course	80	4	0	4	320	USA		BT, BW	FIN
20-Aug-99	20-Aug-99	Seminar on Antidumping: A Look at U.S. Experience Lessons for Ind.	3	7	2	9	27	IND		JM, SM	CORP
23-Aug-99	23-Aug-99	Seminar on "Three Sides of Harberger Triangles"	3	7	3	10	30	IND		JM, SM	CORP
24-Aug-99	24-Aug-99	Seminar on Toward an Action Plan for Badan Perkreditan Rakyat (BPR)	8	52	13	65	520	IND		TT	FIN
31-Aug-99	31-Aug-99	Small & Medium Enterprise Caucus Meeting at KADIN	0.25	12	5	17	4.25	IND		RR	CORP
31-Aug-99	31-Aug-99	Seminar on Reservation Schemes for Small Enterprises at MinCoop	1.3	14	6	20	26	IND		RR	CORP
10-Sep-99	10-Sep-99	Lecture on Small Enterprises as an Essential Part of Ind. Dev. Policy	1.7	100	20	120	204	IND		RR	CORP
14-Sep-99	14-Sep-99	Lecture on Factors Affecting Competitiveness of SME at MinCoop	0.6	4	1	5	3	IND		RR	CORP
21-Sep-99	21-Sep-99	Research Design, Review on Improved Competitiveness of SME at MoC	0.25	14	6	20	5	IND		RR	CORP
25-Sep-99	3-Oct-99	The Third Annual Seminar on New Development Finance, Frankfurt	40	1	0	1	40	GER		TT	FIN
1-Nov-99	10-Nov-99	Internship and Field Study in Rural Banking-Manila	56	2	0	2	112	Phil		TT	FIN
3-Nov-99	22-Dec-99	Job-training during Field Research in November-December 1999	30	2	1	3	90	IND		RR	CORP
14-Dec-99	15-Feb-00	Development of Training Materials through Survey on BPR, BI-IBI-PEG	-	-	-	-	-	IND		TT	FIN
29-Jan-00	22-Feb-00	Customized Program on Micro-Finance in the US	120	2		2	240	USA		TT	FIN
8-Feb-00	8-Feb-00	Credit Guarantee Schemes for Cooperatives & SMEs, Yogya	8	70	18	88	704	IND		RR,TT	CORP/FIN
10-Feb-00	10-Feb-00	Seminar on Fiduciary Transfer Registry (w/Boggus & Davis) at MOLL	1	25	15	40	40	IND		PB	PUBGOV
21-Feb-00	24-Feb-00	Managing Capital Flow Volatility in a Volatile Fin. Environment, Bangkok	24	1		1	24	THAI		WW	PUBGOV
24-Feb-00	24-Feb-00	The Status of Commercial Bank Lending, BI, Jakarta	8	47	16	63	504	IND		TT	FIN
25-Feb-00	26-Feb-00	Pengembangan Micro-Finance, Yogyakarta	16	39	3	42	672	IND		TT	FIN
10-Mar-00	10-Mar-00	Lecture on Economic Reforms in Indonesia	2	25	25	50	100	IND		PB	CORP/PUBGOV
20-Mar-00	22-Mar-00	Bali Conference on Corporate Governance and Companies Law Revision	3	30	20	50	150	IND		PB	CORP/PUBGOV
12-Apr-00	12-Apr-00	SME Working Meeting at Aryaduta	8	40	10	50	400	IND		RB	CORP/PUBGOV
2-May-00	4-May-00	Seminar on E-Commerce at the Regent	22	41	17	58	1276	IND		SM	CORP
24-May-00	24-May-00	Competition Policy & Economic Growth: Issues & Options Conference (Surabaya)	1	50	30	80	80	IND		PB	CORP/PUBGOV
27-May-00	8-Jun-00	Exposure Tour to India and Thailand (Bank Indonesia)	64	1	1	2	128	India, Thai		TT	FIN
28-May-00	29-May-00	Money Laundering Draft Law Conference (Jakarta)	1	25	20	45	45	IND		PB	PUBGOV
11-Jun-00	24-Jun-00	Exposure Tour to Manila and Seoul (Bank Indonesia)	80	1	1	2	160	Manila/Seoul		TT	FIN



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15-Jun-00	17-Jul-00 HIID Seminar on Macroeconomic Policy and Management	160	1		1	160	USA		WW	PUBGOV
22-Jun-00	17-Jul-00 Boulder Training on Micro Finance (Session I)	120		1	1	120	USA		TT	FIN
24-Jun-00	24-Jun-00 Regional Seminar for Ministry of Cooperatives & SME Development (Semarang)	6	163	26	189	1134	IND		RR, TT	PUBGOV
7-Jul-00	15-Jul-00 MBA Annual Meeting & Visit to ABA Headquarters (MoLL)	24	1		1	24	USA		PB	PUBGOV
17-Jul-00	28-Jul-00 HIID-Global Fin. System: Structure, Crises & Reform (Bappenas)	80	1		1	80	USA		WW	FIN
27-Jul-00	27-Jul-00 Seminar on SMEs as the Machines of Economic Wheel (Makasar)	2	75	5	80	160	IND		TT	FIN
7-Aug-00	18-Aug-00 Fiscal Decentralization Training at Georgia State Univ (Bappenas)	80	1	2	3	240	USA		WW	CORP/PUBGOV
8-Aug-00	8-Aug-00 Micro Finance Promotion Seminar (BI, Malang)	2	112	11	123	246	IND		TT	FIN
20-Aug-00	26-Aug-00 Competition Law and Policy (Yogyakarta)	40	4	2	6	240	IND		GG, DR	PUBGOV
6-Sep-00	6-Sep-00 Workshop/Dialogue on Consumer Protection (MOIT)	4	9	2	11	44	IND		DR	PUBGOV
6-Sep-00	7-Sep-00 Workshop on Banking Law (Makasar) (In-kind Grant)	2	35	21	56	112	IND		TT, GG	FIN
18-Sep-00	18-Sep-00 Semi-Workshop on Improved Human Resources-Menegkop (Surabaya)	8	201	43	244	1952	IND		RR, DR	PUBGOV
25-Sep-00	25-Sep-00 Leadership Training: Characteristics of Indonesian Inflation (BI)	2	30	10	40	80	IND		PR	FIN
7-Sep-00	7-Sep-00 Seminar on SMEs as the Machines of Economic Wheel (Malang) *)	2	100	50	150	300	IND		TT	FIN
24-Sep-00	24-Sep-00 Meeting in connection w/ USEmbassy Economic Seminar with ISEI *)	2	8	2	10	20	IND		GG	CORP/PUBGOV
2-Oct-00	6-Oct-00 USAID Admin. Compliance Requirements & Award Fin. Management	40	1	1	2	80	Manila		JP	FIN
4-Oct-00	5-Oct-00 LPEM-UI/USAID Annual Economic Conference	16	24	76	100	1600	IND		GG	PUBGOV
7-Oct-00	7-Oct-00 UGM-Economic Conference in Yogyakarta	2	60	25	85	170	IND	1	GG	PUBGOV
16-Oct-00	16-Oct-00 Lecture at MOIT-PUSDIKLAT in "Gains from Trade & Trade Protection"	4	21	7	28	112	IND		JM	CORP/PUBGOV
17-Oct-00	17-Oct-00 Lecture at PUSDIKLAT in "Globalization & implications for Indonesia"	4	21	7	28	112	IND		JM, SM	CORP/PUBGOV
19-Oct-00	19-Oct-00 Seminar on SME's Role and Obstacles in Exports	4	32	12	44	176	IND		DR	PUBGOV
30-Oct-00	9-Nov-00 US Patent & Trade Mark Visiting Scholar	72	2	1	3	216	USA		SM	PUBGOV
2-Nov-00	2-Nov-00 Seminar on SMEs as the Machines of Economic Wheel (Bandung)	2					IND		TT	FIN
6-Nov-00	6-Nov-00 Lecture at Universitas Lambung Mangkurat (Banjarmasin)	2	189	91	280	560	IND		DR	CORP/PUBGOV
15-Nov-00	23-Nov-00 AIM/ACE-CGAP Courses for Building Microfinance Institute Capacity	56	4	2	6	336	Manila		TT, RR	FIN
20-Nov-00	22-Nov-00 Workshop on Policy Analysis Application Using Input-Output Tables	24	21	8	29	696	USA	1	JM	PUBGOV
11-Dec-00	11-Dec-00 Workshop/Discussion on "Debt Restructuring Solutions to SM Debtors"	4	22	7	29	116	IND		TT	FIN

\*) not reported last quarter

Total	year to date		1535	588	2123	13609
		<i>total number of training events from PEG-TA</i>	41	28%		<i>total person-hours of training from PEG-TA</i>
				<i>average participation by women</i>		